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USA HOUSING OUTLOOK—pp. 19-37
Expanding the high-end lock market—pp. 3

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Home Center News®

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New technology used in the construction of modular housing, such as these units being attached to their foundations, may make buying a home more affordable. NHCN *examines the housing outlook for '85, as well as how changes in materials used in home building affect what home centers sell, in a special section, beginning on page 19.*

New BE chief acts to boost morale; hires key executives

Hal Smith brings fresh merchandising acumen to So. California chain

By John Caulfield
NHCN senior editor

IRVINE, Calif. — "Builders Emporium is not a chain in trouble. But we are no longer the dominant chain in the market, even though we should by far and away be No. 1."

This comment, made by a spokesman for Sanford Sigoloff, chairman of Wickes Co., BE's parent, lays out in a nutshell what confronts Hal Smith, the 34-year-old former Handy Dan and Homeowner's DIY executive, who recently was named president of the 59-unit chain.

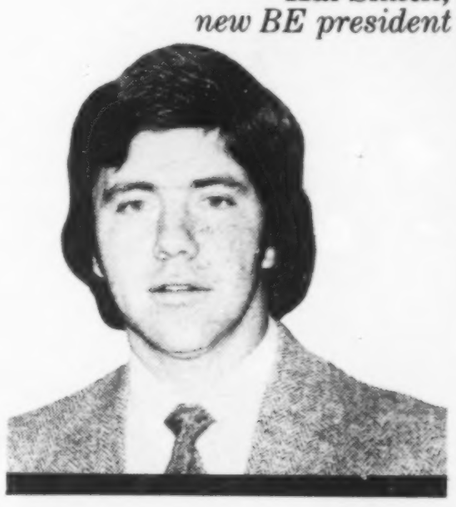
A veteran of the retail home improvement business, which he entered at the age of 21, Smith was praised by current and former employers for his managerial acumen, and is expected to bring much needed merchandising and operations expertise to the chain.

But he will need to restore stability to the chain racked with managerial strife in recent months, and satisfy Sigoloff, who has high demands to make BE more profitable, and has demonstrated little patience with managers who can't meet his performance standards.

Smith has also come on at BE when the chain is about to encounter intensified competition in southern California, as several warehouse companies have expressed plans to expand into the market.

And, despite his considerable experience with several prominent chains, running BE, whose sales last year hit an estimated $200 million and is among the 20 largest companies in the industry, will be quite different and more complicated than managing a five-unit, $35 million chain, the size of Homeowner's DIY, his last employer.

'. . . a new era for Builders Emporium.'
—Hal Smith,
new BE president



Smith apparently is not awed by his new position, though, and he has hit the ground running. He has already begun to overhaul the chain's merchan-

(Continued on page 65)

INNOVATIVE OPERATION

150-year-old independent thrives on its eccentricity

By John Caulfield
NHCN senior editor

BALLSTON SPA, N.Y. — Curtis Lumber, nestled along the Adirondack Mts., 40 miles north of Albany, has been in the Curtis family, off and on, since 1822. But it can hardly be called an antique.

Profitable, innovative, a company whose sales rose 21% to $32 million last year, this six-unit independent first experimented with computerized inventory management in 1969, and has since resisted falling back on its historical laurels to push ahead aggressively.

It hopes to add one, possibly two, new stores this year, probably in the Albany market. Having converted its stores to cash and carry in 1976, it is now building a second warehouse to handle the flow of merchandise into its branch units, one of which is currently being expanded. And its ad program, which is unusually extensive considering the remoteness of its stores and the rural markets they serve, will try out shared mailing promotions for the first time this year.

The retail stores are also supported by a network of manufacturing facilities, including a sawmill, truss plant, door factory and countertop plant, which all make products that have found their way in larger quantities into the units.

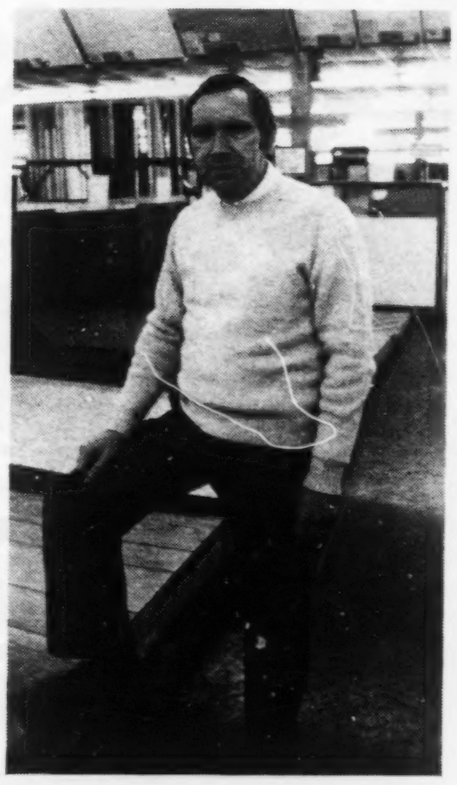
But when a company is more than 150 years old, as Curtis Lumber is, it tends to cultivate its own legends and eccentricities that bear little semblance to most people's image of a modern retailer:

- A story is told of a sales rep for a major paint company who, while waiting around Curtis Lumber's largest retail unit here a few years back, spotted an older man mopping up some water on the sales floor.

Much to his surprise, the rep later learned that the supposed-janitor was Bob Curtis, who doubles as the company's chairman and owner.

- Curtis' grandfather, Elmer, who reacquired the company in

(Continued on page 66)



Frank Blair, the 13th employee hired by Curtis Lumber, back in 1960, is now president of the $32 million independent.

NHCN photo

Stand-alone Ernst unit stresses project sales in warehouse setting

SEATTLE — Ernst Home Centers shifted its presentation significantly with the recent opening of its 70th outlet, in Spanaway, Wash., about 50 miles south of here.

The new, 34,000-sq.-ft. store incorporates warehouse merchandising, underscoring the chain's continuing evolution toward strengthening its emphasis on big-ticket projects.

In addition, the new facility is freestanding, a somewhat unusual approach for Ernst, whose units are often located in strip malls. In this case, however, the unit shares a parking lot with a Pay 'n Save drug store at 15615 Pacific Ave. Both stores opened in late November.

Vern Netzer, vp-real estate and construction for Ernst's parent, Pay 'n Save, said the outlet could be considered "an indication of Ernst's [design] direction" in the last half of the decade, but he elaborated that future new stores will not exactly be modeled after Spanaway. The chain is currently in the second year of a three-year program in which existing stores are being remodeled.

(Continued on page 65)

NEWSBREAKS

BUILDING MATERIAL SALES HIT $69 BILLION. Commerce figures for retail sales showed December to be stronger than expected. Building material, hardware sales, including mobile homes, reached $5.5 billion in December, up 15.3% from the year before, bringing the total figure for 1984 to $69 billion, compared to $59.9 billion in 1983.

BOYCOTT TO HIT LLOYD. The United Brotherhood of Carpenters and Joiners of America planned to boycott eight to 10 Lloyd Home & Building Centers, Danbury, Conn., starting Jan. 19, for selling Louisiana-Pacific products. Boycott is part of union's nationwide campaign against L-P for company's refusal to ratify a contract 19 months ago that other wood producers signed.

Dealers testing electronic home security

By Linda Lynton Carnevale
NHCN field editor

NATIONAL REPORT — Payless Cashways and Ernst Home Centers are among the handful of home center chains looking at adding whole house electronic security systems to their stores' merchandise mixes.

The product in the past has generally not been found in home centers, as its prohibitive price and consumer trepidation about its installation and overall effectiveness seemed to promise only minimal sales.

However, several manufacturers have devised programs aimed at the DIY market specifically. And the system's price, which could run about $1,000 when professionally installed, has been dramatically reduced to attract a larger consumer base.

The product is currently being tested at such chains as Builders Emporium and Mr. HOW Warehouse, and as more of the larger companies in the industry get into the category, dealers and suppliers expect the product's cost to drop and its consumer acceptance to rise.

"These systems fit in with the electrical security device line we already carry," said Bruce Knapp, a buyer for the 157-unit Payless, based in Kansas City, Mo. "And a lot of people are leaning more toward security now. We've never had a whole house system before, and it

(Continued on page 42)

INSIDE:

Tom Butz tackles the greengoods biz —Page 2
Peter Grace selected for City of Hope honor —Page 5
John Markley resigns from W. R. Grace —Page 3
NHCN's Home Center Industry trivia —Page 12

NHCNews Briefs

Industry Update

Builders Sq. sets new Chi. sites

CHICAGO — Builders Square is expected to soon break ground for three additional Chicago stores, a move chairman and president Frank Denny said is "imminent."

These three new stores should give Builders Square six units in Chicago by the end of 1985. The first three stores opened here last October. They, unlike the new locations, were converted K mart stores.

Home Quarters moves HQ

VIRGINIA BEACH, Va. — Home Quarters Warehouse, the new W. R. Grace warehouse home center chain, moved its headquarters Jan. 13 to a 4,500-sq.-ft. area inside one of the first two units the company plans to open later this quarter.

A former Woolco, the building housing the offices is located at 2866 Virginia Beach Blvd. in this city.

The company, which currently employs over 100 people, said it also plans to open a unit in Hampton, Va., by the end of March. (*NHCN*, Dec. 17, 1984.)

Mr. HOW readies Denver store

DENVER — Service Merchandise has broken ground on a new 72,000-sq.-ft. Mr. HOW Warehouse unit unit here in the suburb of Aurora, to be located next to one of its catalog showrooms.

The unit, which is expected to open sometime this fall, will represent the westernmost expansion for Mr. HOW, which is based in Margate, Fla., and currently operates 11 stores. New sites for 1985 that have previously been announced include four units in Cincinnati, five in Chicago and one outside of Columbus, Ohio.

2 Hardware Fair units on block

BALTIMORE — The Hardware Fair has put two of its 10 hardware/convenience stores on the block.

The decision to sell its 15,000-sq.-ft. unit on Charles Street and a 5,000-sq.-ft. store on Green Mount Avenue was made by company officials during the week of Christmas, and the two units were placed on the market in the first week of January.

"We felt we could generate more cash in selling these two stores, than keeping them open, to help us pare down our debt," said company president Skip Couser. He declined to specify a dollar figure for that debt except to describe it as "significant, but no where near as high as it was a year ago."

Couser was quick to note, though, that these sales were "in no way" a signal that the entire chain was for sale, "which is usually the conclusion your store managers get when they hear news like this." The manager in each of the stores for sale will be hired on to work in Hardware Fair's remaining stores.

Wickes to list new stock

SANTA MONICA, Calif. — Concluding the largest corporate reorganization in United States history under Chapter 11 of the current United States bankruptcy laws, Wickes Cos. was slated to list five new issues of stock on the Pacific Stock Exchange under the ticker symbol WKS. The company's legal counsel, Ed Kaufman, said the stock would be issued following the Jan. 26 effective date of the Chapter 11 plan of reorganization, and added that "it is not likely" Wickes will apply for trading privileges on the New York or American Stock Exchanges.

Copeland wholesale opens DC

PORTLAND, Ore. — Copeland Lumber Yards' wholesale subsidiary opened a new 60,000-sq.-ft. distribution center in North Portland earlier this month, as part of a corporate move to generate new business with nonaffiliated smalltown retail lumberyards in Oregon, Washington and Idaho.

The distribution center is located about 10 miles north of Copeland's corporate headquarters on five acres next to a rail siding. The facility, which opened Jan. 11, distributes lumber and plywood and box items including tools, hardware, paint and paint sundries and nails.

Privately owned Copeland, which posted more than $80 million sales in 1984, has 80 units in California, Washington, Arizona, Oregon, Nevada and Idaho.

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Vol. 11, No. 3 Jan. 28, 1985

Former Hardware Fair president finds niche in greengoods biz

By John Caulfield
NHCN senior editor

ABINGTON, Md. — Tom Butz, the former president of The Hardware Fair in nearby Baltimore, has become co-owner of a single-unit lawn and garden center here known as The Greenery.

His 50% investment into the store, which has been operating since November 1974, was based on its value as of Dec. 31, 1984, a figure Butz declined to divulge. The Greenery's sales last year were $800,000.

Butz has been a salaried employee of the store since October, four months after being let go at The Hardware Fair by its parent, American Shelter Industries (*NHCN*, Jan. 1). The son of Hardware Fair's founder, Butz spent 11 years as general manager there, becoming president a year ago after the chain was acquired by AMSHEL.

Butz was brought into The Greenery by co-owner Sherman Lupold to expand the unit's hardware selection.

"I've been thinking about getting more into hardware and related products for quite some time," said Lupold, who managed the store when it first opened, and bought it a year later. "I mentioned this to an accountant friend of mine, who also knew Tom and thought he [Butz] might be interested."

In a telephone interview earlier this month, Butz outlined some of his plans for the store, which include adding $70,000 worth of hard lines—plumbing,

(Continued on page 64)

L-P withdraws Davis Cup threat; USTA to address player conduct

By Laura Liebeck
NHCN field editor

PORTLAND, Ore. — Louisiana-Pacific will not withdraw its sponsorship of Davis Cup tennis matches as suggested by company president Harry Merlo last month. Merlo made that threat in response to what he characterized as inappropriate court behavior by several top male players during the recent matches held in Stockholm, Sweden.

"The team embarrassed themselves and the [American] flag and really did not live up to the traditions of Davis Cup," asserted Jerry Griffin, director of corporate communications for L-P, the forest products supplier which operates seven southern California home centers.

The company decided to continue its financial sponsorship of the matches—which last year amounted to $1.1 million—because Merlo's grievances are being addressed by the United States Tennis Assn.

"We are convinced they will take action" concerning player

(Continued on page 66)

Harry Merlo (inset), president of Louisiana-Pacific, has withdrawn his threat to end L-P's sponsorship of Davis Cup tennis pending review by the USTA on players conduct, such as John McEnroe.

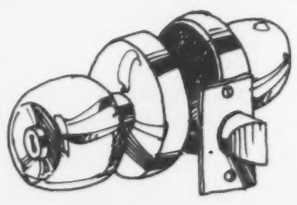
Highlights in this issue

USA Housing Outlook

Analysts predict that 1985 will be a flat year for housing, with some new factors coming into play that raise considerable uncertainty. Total housing starts could fall 9% from 1984's estimated figure of 1.74 million units, down to 1.58 million in 1985, according to the National Assn. of Home Builders.

—Pages 19-37

Merchandising



Dealers are finding an expanding market for higher-end locks and deadbolts as consumers' fears about crime lead them to purchase better quality merchandise. Retailers note, however, that this product continues to generate high turns because it is still dominated by promotional products.

—Pages 39-46

Advertising & Marketing

Home centers report 50% increases in insulation sales and gains in store traffic and total sales following fall promotions by the top three insulation manufacturers, who were about to launch their winter and spring promotions, just as the promotional fervor of the fall was abating.

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Systems & Operations

Retailers thinking about expansion can take a lesson of "let the buyer beware" from Somerville Lumber. When Somerville optioned a piece of land for a new store, the chain found that there was more under the surface of the property than met the eye. The site was unusable, but the chain remains undaunted in its search for new store locations.

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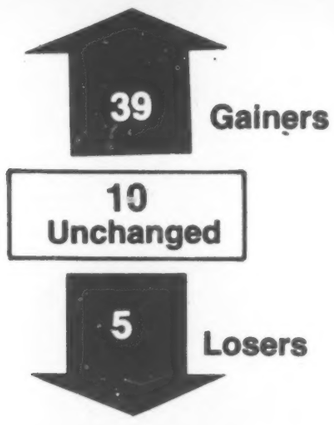
FINANCIAL NEWS

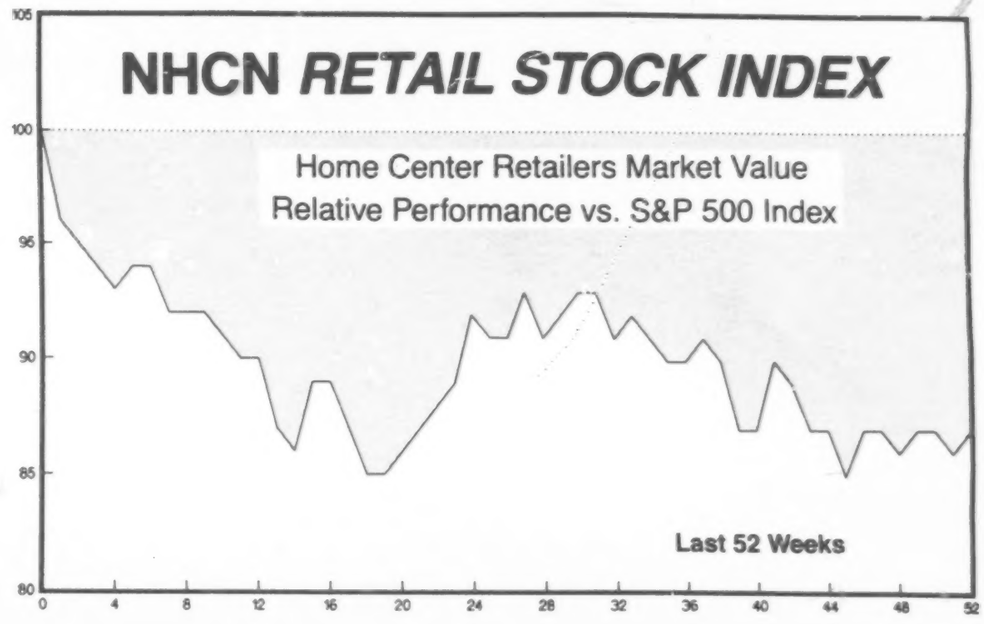


Winning stocks continued to outpace losers as 39 home center industry issues increased; 10 showed stock price declines, and five were unchanged, for the two-week period ended Jan. 11.

The stock market's show of approval for Lowe's Companies continues, as the firm exceeded its 52-week high to close at 25.38 on Jan. 11. Sales at the North Carolina-based firm were up 15% in December 1984, keeping Lowe's momentum going strong.

Hechinger B common stock, which closed at $23.75, is approaching its 52-week high of $26.50. Based on the company's sales and earnings increases and expansion plans, several analysts were bullish on Hechinger.

While still far from its yearly high of $27.87, Home Depot's common stock, though dropping 1.4% in the two-week period, is rebounding from its summer low near the $12 mark. The company's recent acquisition of the Bowater chain should serve to enhance the stock's attractiveness to investors.



MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume (100)	Volume Trend Change %	2-Week Price Change %
Hechinger A ..... M	4,059	582.4	8.3
Grace W R ..... N	20,920	389.8	1.0
Edison Bros ..... N	1,743	319.5	.4
Scott Seabd ..... O	83	283.3	.0
Waxman Ind ..... O	593	272.3	35.8

Company & Market	Total 2-Week Volume (100)	Volume Trend Change %	2-Week Price Change %
Color Tile ..... M	4,639	245.9	3.8
Weyerhaeuser ..... N	31,987	223.7	5.9
Hechinger B ..... M	1,305	213.0	10.5
Supermkts Gen ..... N	4,419	202.4	.7
Std Brd Pnt ..... N	3,233	199.0	6.2

TOP GAINERS

Company & Market	2-Weeks Ended 12-21-84 $	2-Week Price Change %	Total 2-Week Volume (100)
Waxman Ind ..... O	593	35.8	13.75
Mich General ..... A	2,918	22.4	7.50
Clopay Corp ..... A	83	13.8	19.63
Pope & Talbot ..... N	278	12.0	17.50
Potlatch Cp ..... N	3,025	11.8	32.00

TOP LOSERS

Company & Market	2-Weeks Ended 12-21-84 $	2-Week Price Change %	Total 2-Week Volume (100)
SW Forest Ind ..... N	1,242	- 6.4	14.63
Forest City Ent ..... A	105	- 3.1	19.50
Emhart Corp ..... N	1,904	- 2.5	28.75
Home Depot ..... N	7,964	- 1.4	17.25
Thos Inds ..... N	268	- 1.4	18.00

National Home Center News®

HOME CENTER INDUSTRY MARKET SUMMARY

Stock Market — Price: 2-Weeks Ended 1-11-85; 2-Weeks Change Amt., Pct.; 2-Week Range High, Low; 52-Week Range High, Low. Volume: 2-Weeks Shares Traded Total, % Out; 12-Week Avg. Vol. As % Out; Volume Trend Change.

Financial Update — P/E Ratio; Indicated Divd. Rate Amt., Yld.; Latest Report New Report, Period, Date Ended; Latest Quarter Revenue Amt., Chg.; Net Income Amt., Chg.; E.P.S. Amt., Chg.; Year-to-Date Revenue Amt., Chg.; Net Income Amt., Chg.; E.P.S. Amt., Chg.

Company and Market	2-Weeks Ended 1-11-85 $	2-Weeks Change Amt. $	2-Weeks Change Pct. %	2-Week Range High $	2-Week Range Low $	52-Week Range High $	52-Week Range Low $	2-Weeks Shares Traded Total (100)	2-Weeks Shares Traded % Out %	12-Week Avg. Vol. As % Out %	Volume Trend Change %	P/E Ratio -	Indicated Divd. Rate Amt. $	Indicated Divd. Rate Yld. %	Latest Report New Report -	Latest Report Period -	Latest Report Date Ended -	Latest Quarter Revenue Amt. $Mil	Latest Quarter Revenue Chg. %	Latest Quarter Net Income Amt. $Mil	Latest Quarter Net Income Chg. %	Latest Quarter E.P.S. Amt. $	Latest Quarter E.P.S. Chg. %	Year-to-Date Revenue Amt. $Mil	Year-to-Date Revenue Chg. %	Year-to-Date Net Income Amt. $Mil	Year-to-Date Net Income Chg. %	Year-to-Date E.P.S. Amt. $	Year-to-Date E.P.S. Chg. %
Retailers																													
Boise Cascade ..... N	40.25	- .13	- .3	41.00	38.63	44.63	32.50	10,073	3.79	1.39	172.7	10.9	1.90	4.7	.....	9 mos.	09-84	962.8	5.9	32.7	80.7	1.13	94.8	2909.7	14.1	94.1	103.7	3.24	120.4
Color Tile ..... M	16.88	.63	3.8	17.00	16.25	17.88	13.63	4,639	5.05	1.46	245.9	11.4	.00	0	.....	3 mos.	09-84	75.5	20.2	2.8	3.7	.31	19.2	75.5	20.2	2.8	3.7	.31	19.2
Edison Bros ..... N	33.50	.13	.4	33.88	33.13	42.75	32.50	1,743	1.72	.41	319.5	7.7	1.60	4.8	.....	9 mos.	09-84	270.7	8.6	8.9	- 14.4	.88	- 8.3	777.5	8.6	24.5	- 9.9	2.37	- 5.6
Erb Lumber ..... O	18.50	.00	.0	20.00	18.50	24.75	18.00	46	.51	.41	24.4	8.6	.00	.0	.....	9 mos.	09-84	43.3	1.6	1.2	- 7.7	1.30	- 11.0	113.6	11.2	2.1	- 4.5	2.29	- 6.1
Evans Prod ..... N	3.63	.00	.0	3.75	3.50	10.50	3.00	1,295	.94	.66	42.4	NE	.00a	.0	.....	9 mos.	09-84	404.2	10.6	(12.6)	NE	(.99)	NE	1030.0	6.1	(58.1)	NE	(4.44)	NE
Forest City Ent ..... A	19.50	- .63	- 3.1	20.38	19.38	21.25	15.00	105	.26	.23	13.0	62.9	.15	.8	NEW	9 mos.	10-84	85.8	284.8	2.7	NC	.34	NC	256.5	37.5	3.1	- 35.4	.39	- 35.0
Grace W R ..... N	39.13	.38	1.0	40.00	38.75	46.63	36.50	20,920	4.31	.88	389.8	9.8	2.80	7.2	.....	9 mos.	09-84	1658.3	10.1	33.1	17.8	.68	19.3	4897.0	9.7	136.5	34.2	2.80	35.3
Hechinger A ..... M	22.75	1.75	8.3	22.75	20.25	22.75	13.50	4,059	5.80	.85	582.4	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	23.75	2.25	10.5	23.75	21.25	23.75	14.00	1,305	.72	.23	213.0	21.6	.10	.4	.....	9 mos.	10-84	100.4	28.7	4.7	30.6	.26	36.8	302.7	31.3	14.8	33.3	.81	32.8
Hines Ed Lumber ..... O	40.50	.00	.0	42.00	40.50	43.75	32.50	64	.36	.24	50.0	27.4	1.00	2.5	.....	9 mos.	09-84	85.5	20.4	2.2	144.4	1.24	148.0	212.4	13.2	2.3	53.3	1.30	52.9
Home Depot ..... N	17.25	- .25	- 1.4	17.88	16.63	27.88	12.00	7,964	3.19	1.98	61.1	31.4	.00	.0	.....	9 mos.	10-84	100.5	56.8	3.3	43.5	.13	44.4	315.4	81.6	10.5	50.0	.42	50.0
K mart Cp ..... N	35.13	.63	1.8	35.50	34.13	37.63	26.75	25,275	2.02	1.26	60.3	8.4	1.24	3.5	.....	9 mos.	10-84	4993.3	15.3	92.4	13.5	.71	12.7	14220.4	9.8	294.8	21.0	2.27	20.1
Lowe's Cos ..... N	25.38	1.00	4.1	25.38	23.88	25.38	16.25	9,011	2.49	1.13	120.4	15.2	.32	1.3	.....	9 mos.	10-84	447.7	17.2	17.6	23.9	.49	25.6	1312.9	19.4	50.9	23.8	1.41	23.7
Mich General ..... A	7.50	1.38	22.4	7.63	5.75	9.00	4.63	2,918	2.57	1.23	108.9	28.8	.00	.0	.....	9 mos.	09-84	123.9	327.2	2.0	100.0	.18	20.0	344.3	335.8	3.7	15.6	.32	- 40.7
Natl Lumber ..... M	5.00	.38	8.1	5.25	4.63	10.00	4.50	587	1.04	.61	70.5	14.7	.00	.0	NEW	6 mos.	06-84	33.5	13.6	.4	- 60.0	.07	- 68.2	62.4	16.4	.7	- 41.7	.13	- 50.0
Pay N Pak ..... N	12.75	.75	6.3	12.88	11.50	18.50	11.50	2,764	2.76	1.13	144.2	11.3	.60	4.7	NEW	9 mos.	11-84	81.5	20.0	2.7	- 15.6	.27	- 20.6	243.7	24.3	8.9	14.1	.89	2.3
Payless Cash ..... N	17.25	1.75	11.3	17.50	15.13	23.75	13.50	8,899	2.75	1.30	111.5	13.9	.16	.9	.....	9 mos.	08-84	334.5	32.8	12.9	18.3	.40	.0	843.9	37.6	27.7	13.5	.86	- 5.5
Scott Seabd ..... O	1.00	.00	.0	1.50	1.00	4.00	1.00	83	.46	.12	283.3	8.3	.00	.0	NEW	6 mos.	07-84	11.2	6.7	.2	- 33.3	.13	- 27.8	20.5	9.0	.2	- 33.3	.13	- 27.8
Scotty's Inc ..... N	14.00	1.00	7.7	14.00	12.88	16.25	11.38	979	.74	.51	45.1	10.5	.52	3.7	.....	3 mos.	09-84	101.7	6.6	3.4	6.3	.25	4.2	101.7	6.6	3.4	6.3	.25	4.2
Sears, Roebuck ..... N	32.63	1.25	4.0	33.00	30.88	36.88	29.50	43,245	1.20	.67	79.1	7.9	1.76	5.4	.....	9 mos.	09-84	9696.2	8.4	321.9	11.5	.88	8.6	27732.3	10.2	891.7	17.4	2.47	14.9
SW Forest Ind ..... N	14.63	- 1.00	- 6.4	15.88	14.25	22.50	13.00	1,242	1.34	1.66	- 19.3	NM	.00	.0	.....	9 mos.	09-84	203.1	5.5	4.1	NE	.25	NE	587.5	15.8	13.1	NE	.82	NE
Std Brd Pnt ..... N	19.25	1.13	6.2	19.50	18.13	22.25	16.50	3,233	2.90	.97	199.0	10.9	.54	2.8	.....	9 mos.	10-84	81.5	2.4	5.3	- 3.6	.48	- 2.0	244.2	6.1	16.3	6.5	1.47	6.5
Supermkts Gen ..... N	33.75	.25	.7	34.00	33.38	34.38	19.25	4,419	2.48	.82	202.4	13.7	.42	1.2	.....	9 mos.	10-84	1149.7	30.6	10.4	33.3	.58	31.8	3010.6	15.7	30.3	11.8	1.70	11.1
Wolohan Lumber ..... O	5.63	.50	9.8	5.75	5.13	6.50	4.00	464	.79	.55	43.6	17.6	.16	2.8	.....	9 mos.	09-84	41.6	18.5	1.1	57.1	.19	72.7	103.0	22.8	1.8	38.5	.31	40.9
Wholesalers																													
Lewis Palmer ..... M	7.75	.50	6.9	7.75	7.13	10.81	7.09	533	1.43	1.21	18.2	12.9	.28b	3.6	NEW	6 mos.	07-84	40.3	19.9	.5	- 28.6	.15	- 40.0	69.4	17.0	.8	.0	.25	- 21.9
Manufacturers																													
Allegheny Int ..... N	24.25	2.00	9.0	24.88	22.00	33.88	18.75	1,423	1.35	.81	66.7	12.2	1.40	5.8	.....	9 mos.	09-84	585.3	6.1	10.2	209.1	.01	NE	1761.2	2.6	32.5	NE	.02	NE
Am Standard ..... N	32.00	1.63	5.3	32.25	30.00	33.25	22.88	4,718	1.21	.64	89.1	11.1	1.60	5.0	.....	9 mos.	09-84	1005.7	97.6	30.2	105.4	.64	20.8	2529.2	57.4	87.3	95.7	2.24	38.3
Armstrng Wrld ..... N	34.00	.75	2.3	34.00	32.00	34.00	22.25	5,931	2.47	1.17	111.1	9.7	1.20	3.5	.....	9 mos.	09-84	395.0	6.6	22.8	15.2	.95	18.8	1186.8	9.6	73.4	46.8	3.00	49.3
Black & Decker ..... N	25.00	1.63	7.0	25.00	22.63	28.00	17.25	13,422	2.67	1.20	122.5	12.8	.64	2.6	.....	fiscal	09-84	473.9	70.2	24.5	50.3	.48	29.7	1523.9	30.5	95.4	238.3	1.95	200.0
Certain-teed ..... N	22.00	- .13	- .6	22.38	21.50	23.50	15.50	1,101	.58	.39	48.7	12.0	.60	2.7	.....	9 mos.	09-84	327.0	11.2	3.6	- 74.6	.17	- 77.6	915.8	17.1	29.6	17.5	1.47	8.1
Champ Intl ..... N	21.63	- .25	- 1.1	22.25	20.75	28.38	16.88	30,556	5.55	3.10	79.0	10.2	.40	1.8	.....	9 mos.	09-84	1131.2	.8	40.2	64.1	.65	75.7	3430.7	7.7	109.4	87.7	1.76	107.1
Clopay Corp ..... A	19.63	2.38	13.8	19.63	17.25	19.63	13.63	83	.69	.38	81.6	10.9	.16	.8	.....	9 mos.	09-84	36.1	12.1	1.3	62.5	1.02	61.9	97.6	12.7	1.6	100.0	1.26	90.9
DeSoto Inc ..... N	33.88	.13	.4	34.00	32.50	34.38	26.50	290	.52	.36	44.4	10.1	1.40	4.1	.....	9 mos.	09-84	114.4	22.0	5.1	10.9	.91	11.0	329.2	19.3	15.1	8.6	2.70	8.0
Emhart Corp ..... N	28.75	- .75	- 2.5	29.50	28.00	31.59	24.53	1,904	.69	.40	72.5	8.5	1.27b	4.4	.....	9 mos.	09-84	420.6	6.9	21.4	9.7	.78	9.9	1346.3	8.5	64.8	16.3	2.35	15.8
Georgia-Pacifc ..... N	25.63	1.13	4.6	26.13	24.25	26.13	18.00	35,888	3.50	1.36	157.4	12.3	.80	3.1	.....	9 mos.	09-84	1880.0	10.0	83.0	2666.7	.72	1700.0	5334.0	10.5	218.0	144.9	1.95	137.8
Insilco Corp ..... N	19.00	.50	2.7	19.00	18.25	20.38	14.00	1,482	.87	.74	17.6	10.1	1.00	5.3	.....	9 mos.	09-84	207.0	16.9	9.1	9.6	.53	6.0	606.0	18.2	25.7	- 6.2	1.49	- 6.9
La Pacific ..... N	23.63	2.13	9.9	23.88	21.25	28.03	17.00	8,778	2.55	.86	196.5	28.8	.80b	3.4	.....	9 mos.	09-84	312.7	14.2	6.9	56.8	.19	46.2	946.3	16.9	21.2	1.9	.61	- 3.2
MacMiln Bldel ..... N	20.13	.88	4.5	20.13	19.25	26.06	17.19	73	.03	.04	- 25.0	NE	.00a	.0	.....	9 mos.	09-84	603.0	21.3	7.5	1150.0	.04	NE	1549.1	1.7	(4.7)	NE	(.80)	NE
Manville Cp ..... N	6.25	.38	6.4	6.25	5.50	13.63	5.50	4,701	1.96	.79	148.1	5.3	.00	.0	.....	9 mos.	09-84	512.0	12.9	28.2	38.9	.92	55.9	1400.9	7.9	59.0	.2	1.68	- 15.2
Masco Corp ..... N	27.63	- .25	- .9	28.25	26.00	31.91	22.50	5,502	.97	.92	5.4	12.7	.56	2.0	.....	9 mos.	09-84	522.8	95.1	81.0	174.6	(.17)	- 100.0	805.0	2.2	94.2	22.7	1.67	25.6
Natl Gypsum ..... N	39.75	1.38	3.6	40.00	37.50	40.00	27.00	3,746	2.41	1.17	106.0	6.3	1.76	4.4	.....	9 mos.	09-84	449.0	44.1	28.1	68.3	1.81	79.2	1288.3	56.8	81.6	164.1	5.24	175.8
Newell Cos ..... N	15.50	.00	.0	15.63	15.13	17.63	13.25	176	.21	.46	- 54.3	10.5	.50	3.2	.....	9 mos.	09-84	67.6	- 2.3	3.1	- 20.5	.35	- 27.1	218.6	32.6	10.0	6.4	1.11	.0
Omark Ind ..... N	37.25	.25	.7	37.25	37.00	37.25	20.38	892	1.25	2.47	- 49.4	19.4	1.08	2.9	.....	3 mos.	09-84	76.0	- 1.6	4.0	- 16.7	.57	- 13.6	76.0	- 1.6	4.0	- 16.7	.57	- 13.6
Owens Corning ..... N	32.38	.38	1.2	33.50	30.50	38.13	25.13	4,011	1.36	1.05	29.5	8.3	1.40	4.3	.....	9 mos.	09-84	806.1	8.4	34.8	20.0	1.18	19.2	2265.2	12.3	80.3	71.2	2.73	68.5
Pope & Talbot ..... N	17.50	1.88	12.0	17.88	15.63	26.25	15.00	278	.46	.56	- 17.9	16.4	.80	4.6	.....	9 mos.	09-84	83.2	26.8	(.6)	- 100.0	(.10)	- 100.0	241.7	14.2	4.1	- 52.3	.69	- 52.1
Potlatch Cp ..... N	32.00	3.38	11.8	32.13	28.50	37.50	25.75	3,025	1.97	.68	189.7	11.8	1.56	4.9	.....	9 mos.	09-84	249.1	7.8	11.1	2.8	.64	16.4	757.8	12.5	39.6	30.3	2.22	45.1
Sherwin-Wms ..... N	30.00	2.00	7.1	30.13	27.75	32.38	22.25	5,196	2.29	.92	148.9	11.0	.76	2.5	.....	9 mos.	09-84	552.5	4.2	25.3	9.5	1.10	18.3	1573.7	4.6	55.9	16.2	2.40	24.4
Stanley Works ..... N	27.13	1.25	4.8	27.13	24.50	29.13	19.50	6,227	2.24	1.03	117.5	10.7	.96	3.5	.....	9 mos.	09-84	294.6	18.7	18.1	29.3	.65	27.5	852.4	18.3	50.0	55.8	1.79	53.0
Thos Inds ..... N	18.00	- .25	- 1.4	18.25	17.38	18.88	12.38	268	.32	.31	3.2	9.9	.62b	3.4	.....	9 mos.	09-84	79.5	38.7	4.3	22.9	.50	- 5.7	214.6	31.7	12.0	51.9	1.41	35.6
Triangle Pac ..... N	26.75	- .25	- .9	27.25	26.75	28.38	20.75	305	.75	.53	41.5	8.1	1.00	3.7	.....	9 mos.	09-84	71.5	15.1	4.3	30.3	1.02	22.9	207.5	24.1	10.7	25.9	2.59	23.3
USG Corp ..... N	62.50	4.13	7.1	63.50	58.38	65.25	45.00	5,783	3.51	1.51	132.5	6.0	3.00	4.8	.....	9 mos.	09-84	633.7	45.9	47.5	68.4	2.87	70.8	1708.0	45.3	145.3	179.4	8.79	184.5
Walter, Jim ..... N	32.13	.63	2.0	32.13	31.00	32.88	22.00	5,400	2.58	1.24	108.1	8.1	1.20	3.7	.....	fiscal	08-84	656.6	14.7	33.7	27.2	1.36	30.8	2287.8	13.0	97.0	37.4	3.96	31.1
Waxman Ind ..... O	13.75	3.63	35.8	14.00	10.63	13.75	4.13	593	3.50	.94	272.3	16.0	.06	.4	.....	3 mos.	09-84	20.5	99.0	.7	250.0	.40	185.7	20.5	99.0	.7	250.0	.40	185.7
Weyerhaeuser ..... N	31.38	1.75	5.9	31.38	28.75	34.75	25.00	31,987	2.46	.76	223.7	17.0	1.30	4.1	.....	9 mos.	09-84	2670.6	113.3	58.3	9.6	.40	14.3	4141.9	14.3	198.8	47.5	1.36	56.3

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

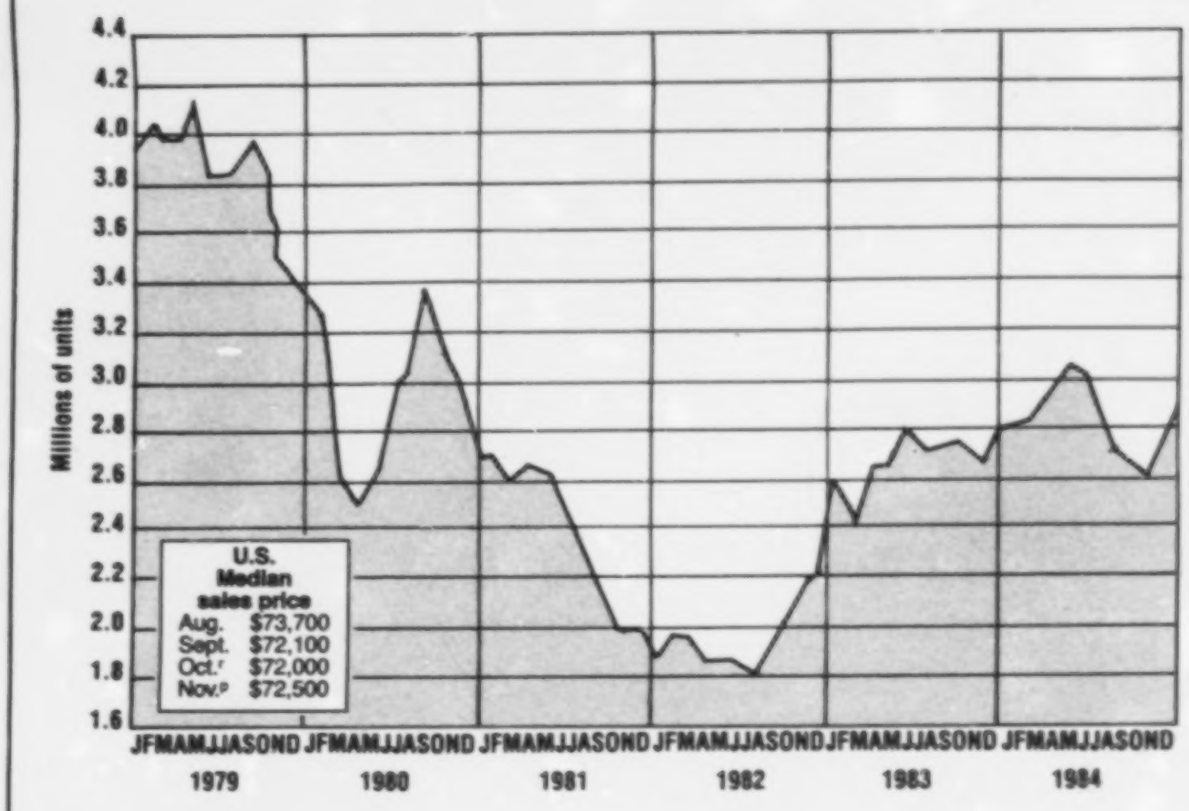
Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

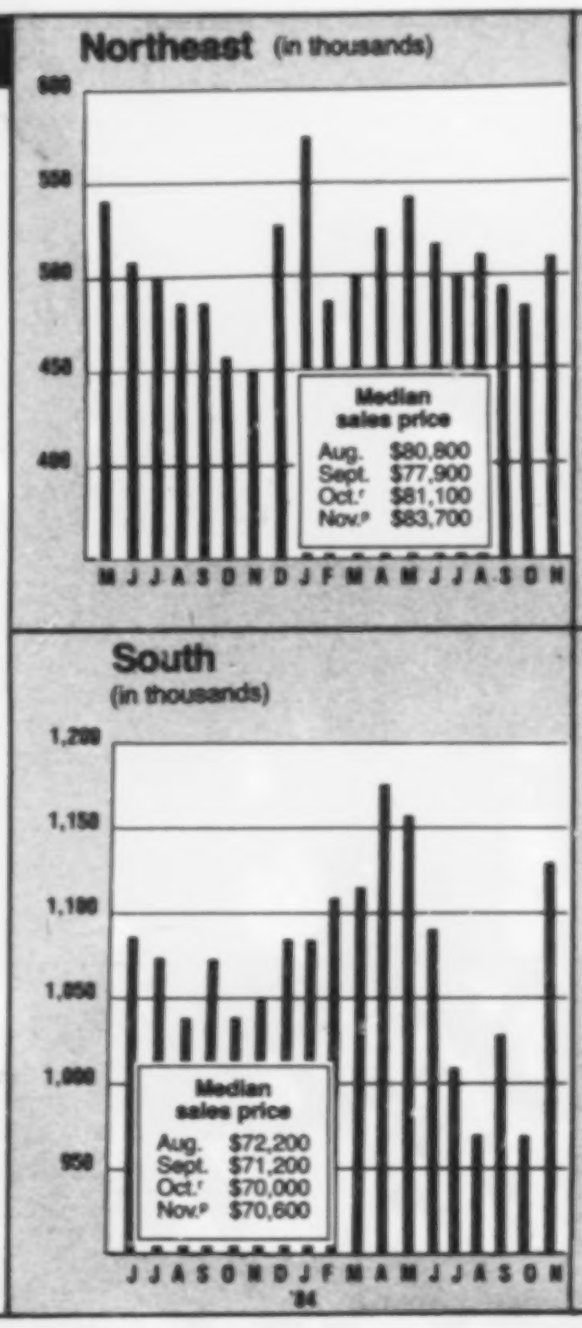
HOUSING WATCH

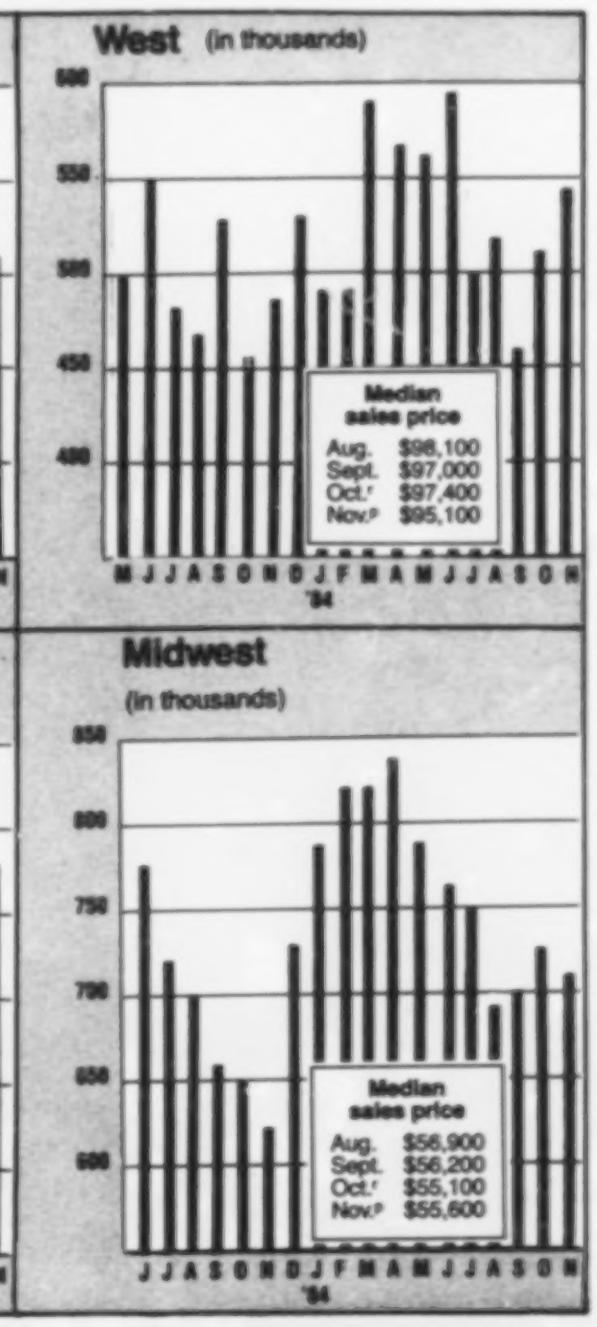


Lower interest rates and milder weather caused November's existing single-family home sales to rise 9.1% over the previous month to 2.89 million units, seasonally adjusted, according to the National Assn. of Realtors. Home resales were particularly strong in the South with 1.13 million units, seasonally adjusted.

p = preliminary r = revised

Source: Nat'l Assn. of Realtors





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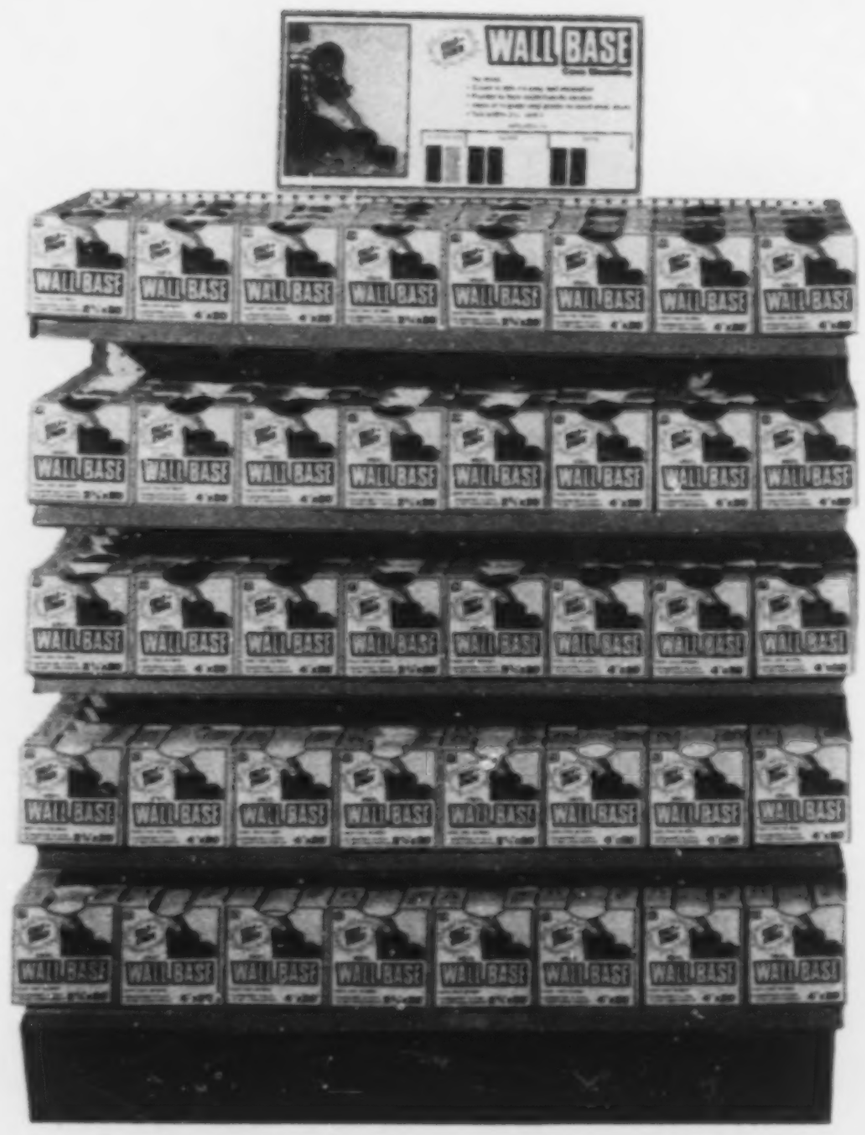

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Rise in home resales attributed to declining mortgage interest rate

NATIONAL REPORT — The November resale rate for existing single-family homes rose to 2.98 million units, seasonally adjusted, its highest level in six months, according to the National Assn. of Realtors. This is over 9% above the October level.

"Most of the improvement in the home resale market was attributable to lower mortgage interest rates than those available earlier this year, coupled with milder-than-usual weather," said David D. Roberts, president of the association.

These lower rates, combined with a growth in family income made homes more affordable in November. The association's affordability index rose to 85.6%, its highest since September. The index means that a family earning the median national income of $26,157 has 85.6% of the money needed to qualify for a mortgage on a median priced resale home, which in November cost $72,500.

The low mortgage interest rates are expected to decline still further into the third quarter of 1985, according to Jack Carlson, senior economist with the association. This together with an increase in family income could outpace the modest increase in home prices, and so cause the affordability index to climb to 90%.

In November, the average effective rates on mortgages closed by major lenders dropped from October's 13.04% to 12.89%, according to the Federal Home Loan Bank Board. The effective rate takes into account both fixed-rate and adjustable rate mortgages.

In spite of these falling rates new home sales fell nearly 12% in November from the previous month to 591,000 units seasonally adjusted, according to the Dept. of Commerce.

All regions had a decline in new home sales with the largest drop of nearly 26% occurring in the Northeast, down to 74,000 units, seasonally adjusted. The South dropped 10.5% from October to 283,000 units.

Consequently there were more new homes for sale in the United States at the end of November than in the previous month.

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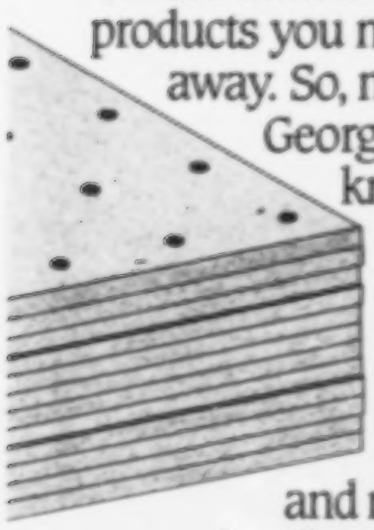

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LUMBER REPORT

Survey finds contractors remain bulk of lumber dealers' business

EUGENE, Ore. — Despite the surge in DIY business, most of the nation's lumber retailers continue to rely on the professional trade for the bulk of their business, according to a recent survey conducted by *Random Lengths*.

The survey of 170 dealers nationwide found that four times as many dealers rely on professionals, rather than DIYers, for the bulk of their business.

This trend was strongest in the South and weakest in the West where, in fact, dealer emphasis was about evenly divided between contractor and DIYer.

This national trend is expected to continue and is not substantially different from what *Random Lengths* found in a similar survey a year ago.

In fact, 60% of the nation's dealers are expected to emphasize sales to the contractor, at least for the first half of this year. Last time the question was asked, about 1984, the dealer response was 66%.

The species of lumber carried, of course, has something to do with the region where the dealer operates.

In the Northeast and Midwest dealers report that most lumber comes from the West, including Canada. While southern wood is carried, it is the main product of only 10% of the dealers questioned.

In plywood, however, the *Random Length's* survey confirms that southern plywood has made inroads into the Northeast and Midwest, where southern plywood has a much stronger presence than southern lumber.

In the West, more than 90% of dealers polled said that western sources were their primarily suppliers for lumber and that for plywood, too, they relied on western products.

The impact made by wholesalers and buying co-ops remains about the same as last year, according to the survey. Just over half of the nation's dealers rely on wholesalers for wood rather than purchasing directly from mills.

About 40% of dealers said that they relied on cooperatives for at least some of their product. Dealers in the Northeast have traditionally maintained ties with co-ops and this trend continued, but weakened somewhat.

The survey found that 55% of Northeast dealers rely on co-ops compared with 66% a year ago.

In the Midwest about 40% of dealers buy through cooperatives, while less than a third of western and southern dealers use these sources.

Southern dealers are most likely to buy direct, according to the *Random Length's* survey. They also reported the greatest increase in competition.

About 90% of dealers in the South said competition increased during the past five years, while just over 75% of dealers nationwide thought competition had increased during that period.

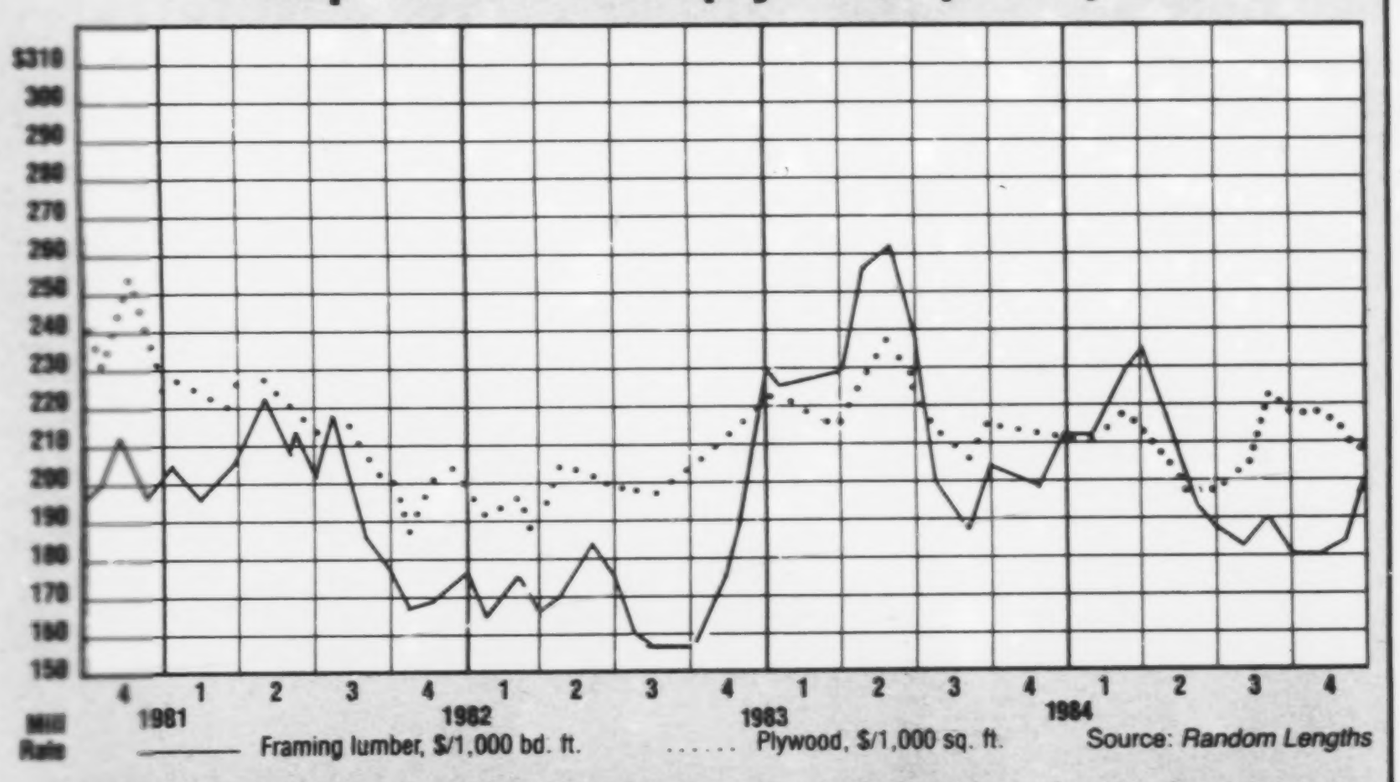
On average, 60% of dealers nationwide thought competition had grown more fierce just in the past year. Again, southern dealers reported such an increase more often than dealers in other regions.

In addition, the survey this year also found that about half of the nation's dealers added nonwood products in hardware, plumbing electricals and tools to their merchandise mix last year.

The trend was strongest in the Northeast, where 70% of dealers reported increasing their nonwood offering.

DIY clinics were held by about 40% of dealers nationwide, according to *Random Lengths*. While half of Midwestern dealers used this technique to build their markets only about a quarter of Southern retailers did.

Composite lumber/plywood price profile



Source: *Random Lengths*

Declining interest rates started to affect lumber prices in December and some observers predicted a surge in prices this month if rates continued to drop.

At the end of December the composite lumber price was $200 per thousand board feet, while the plywood composite was $209 per thousand square feet, slightly off from November.

The framing and plywood composite numbers are based, respectively, on Random Length's weighted averages of nine key lumber and seven key plywood items.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices

Plywood prices have remained fairly level during the past few months.

Western plywood sold for $208 per thousand square feet in November and $207 in December.

Southern pine plywood, westside, sold for $185 per thousand square feet in November and $175 in December.

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USA HOUSING OUTLOOK

Trade-up buyers, tax plan key to 1985 housing

By Elizabeth Brent
NHCN field editor

NATIONAL REPORT — Analysts predict that 1985 will be a flat year for housing, with some new factors coming into play that raise considerable uncertainty.

Total housing starts could fall 9% from 1984's estimated figure of 1.74 million units, down to 1.58 million in 1985, according to the National Assn. of Home Builders.

Although single family starts are expected to drop by 5% from 1.047 million units in 1984 to 996,000 units, there will be a slight swing to more single-family compared to multifamily building. Multifamily units are expected to drop by 16% from 691,000 to 584,000.

It may also be a slower year for new home sales, according to the NAHB, dropping 22% from 647,000 units in 1984 to 507,000 units in 1985.

"The new housing market is still healthy" said Dean Crist, economist with the association. "Based on the numbers we have here, it's not that bad a year."

The key to this year could well lie in the trade-up market rather than with the first-time buyer, according to William Apgar, director of the Housing Futures Project at the Joint Center for Urban Studies of M.I.T. and Harvard University.

"There is not much pent-up demand left in the system," he said. "The shortfall from the early 80's has worked off, and it all hinges on the home resale market for a revival in housing starts."

The growing importance of second time buyers is seen by the fact that 60% of all new homes were sold to second-time buyers between July 1983 and 1984, compared with only 52% a year earlier.

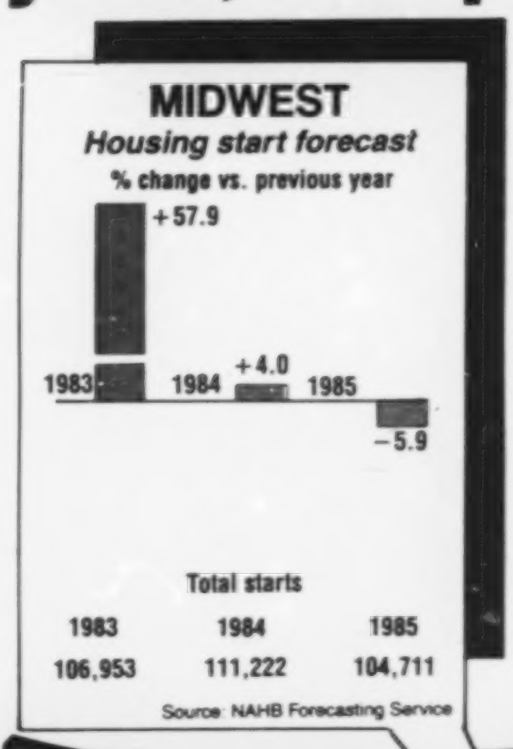
A new factor coming into play in the housing market, which has already caused anxiety in resort areas and slowed second-home sales, is the Treasury Department's tax simplification plan. It could well lead to a drop in house prices as well as a de-

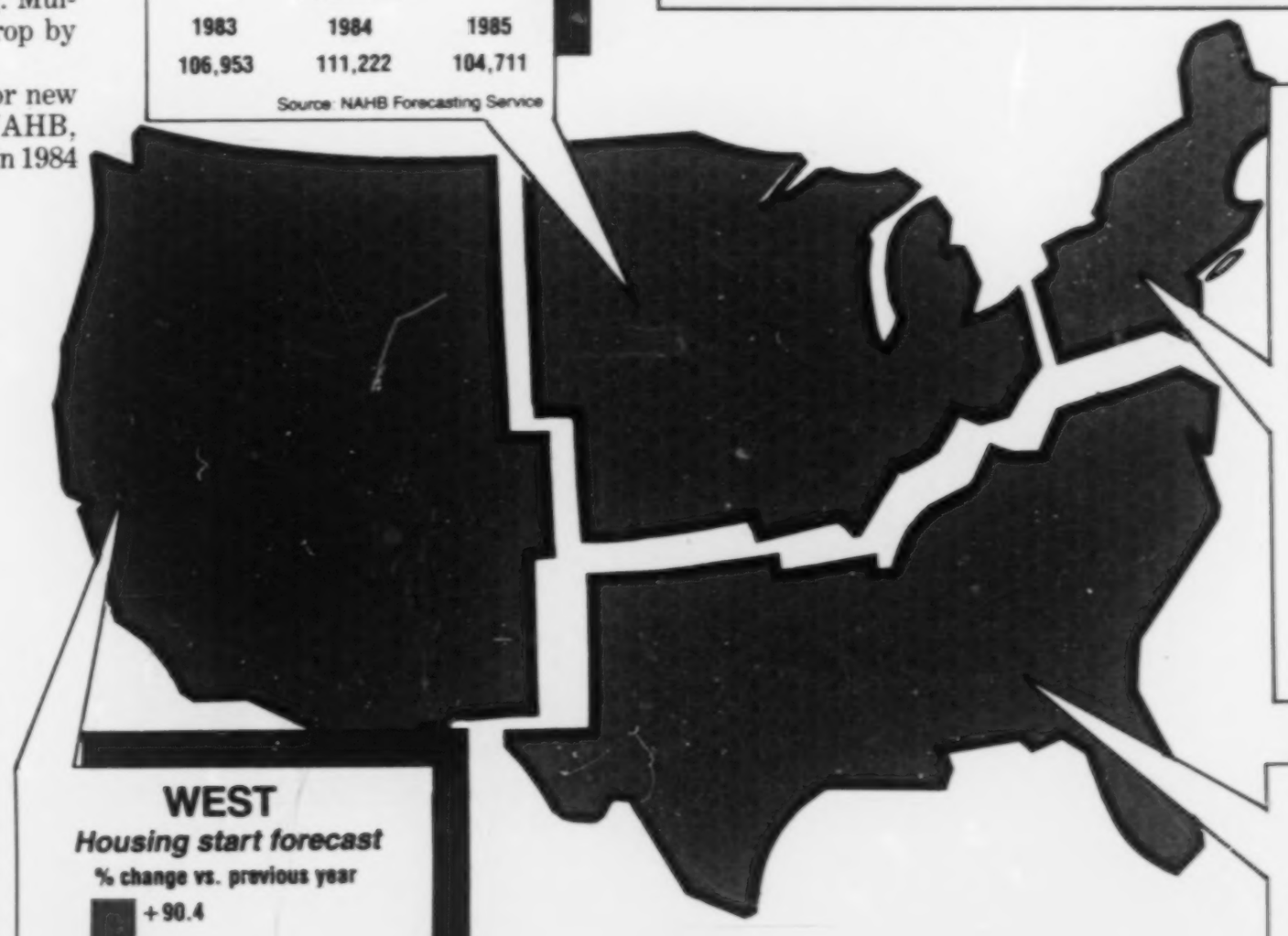
(Continued on page 22)

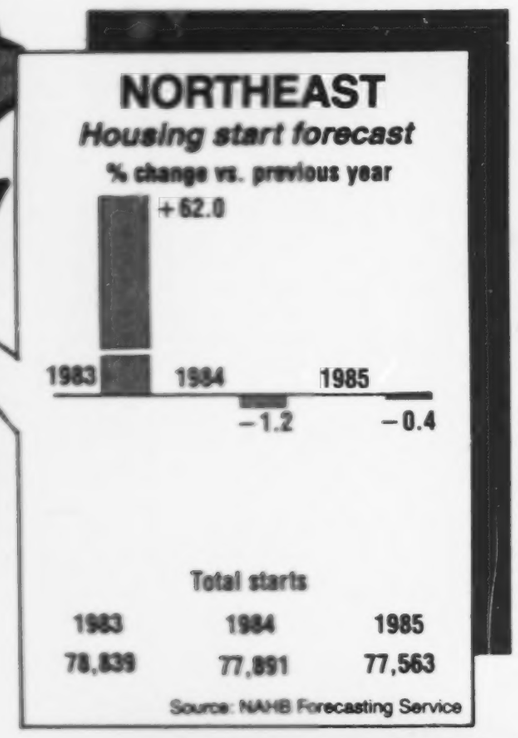
United States Housing Starts— 1983 through 1985*

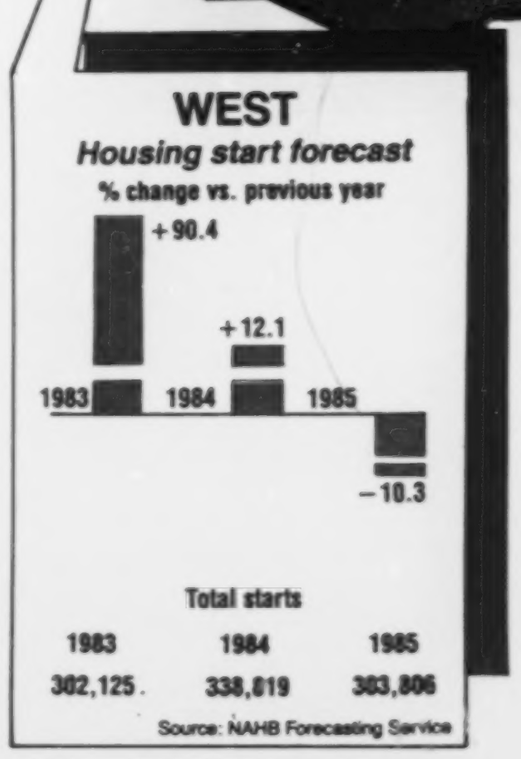
	1983 IV	1984 I	1984 II	1984 III	1984 IV	1985* I	ANNUAL DATA 1983	1984	1985*
Total starts	238,641	247,940	299,303	257,512	209,949	209,622	996,834	1,014,678	925,659
% change vs. previous year	36.0	23.6	4.9	(7.2)	(12.0)	(15.5)	70.2	1.8	(8.8)
Single family	126,206	129,227	160,507	135,420	115,448	115,591	544,945	540,602	517,457
% change vs. previous year	34.5	20.7	(4.5)	(9.5)	(8.5)	(10.6)	71.5	(0.8)	(4.3)

Parentheses denote % decrease
*Projected
Source: NAHB Forecasting Service

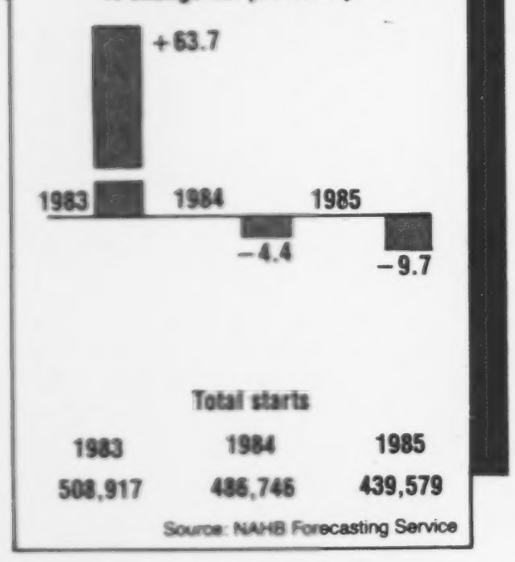








In 1985, all regions of the country are likely to experience a fall-off in housing starts from last year. However, home building activity is expected to remain fairly level with 1983, a year in which housing starts soared in all four regions. NHCN charts

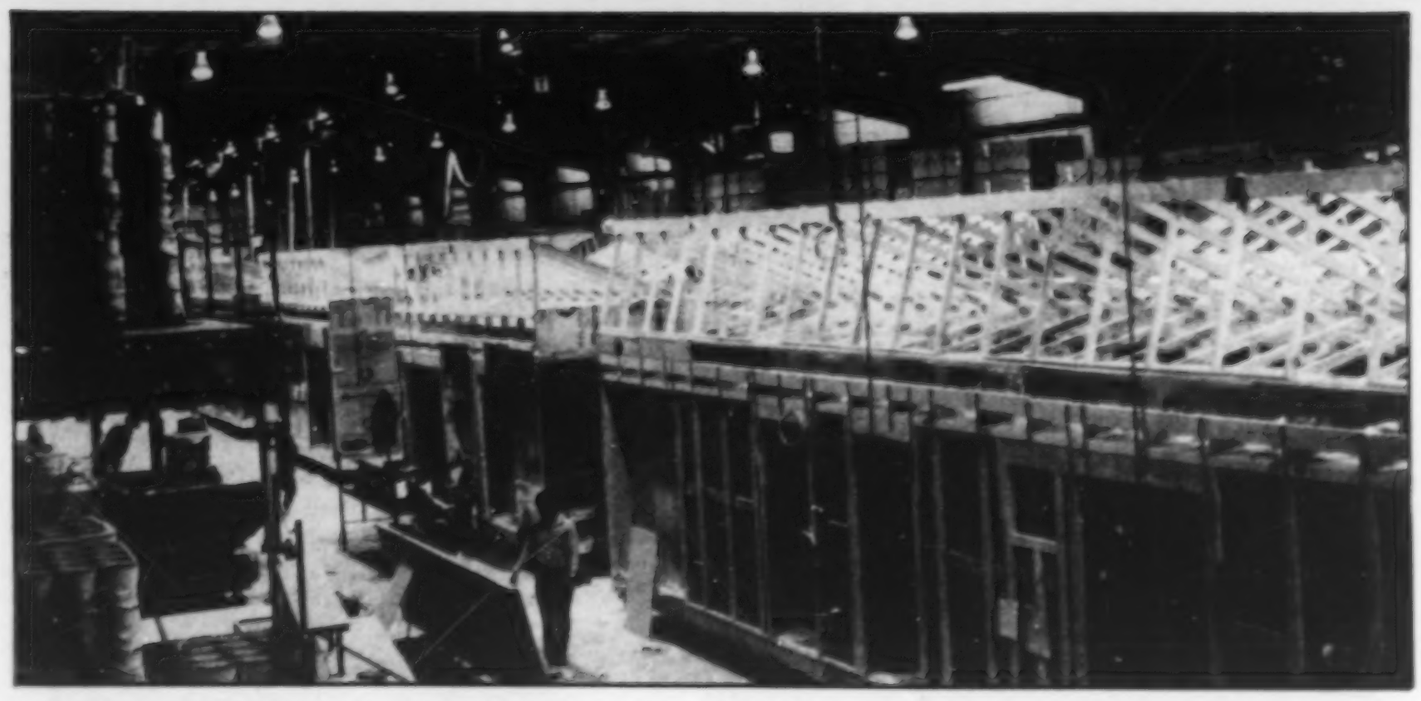


Upgraded factory-built housing: An affordable option

NATIONAL REPORT — The combination of factory- and stick-built homes that one Southern California development is experimenting with could be the answer to affordable housing options sought by other high-priced communities.

Developers of the 563-unit Green Hills subdivision in suburban Yorba Linda, Orange County, Calif., are offering upgraded mobile home units for between $103,000, and $130,000 while the stick-built houses will sell for between $160,000 and $200,000-plus, prices more typical of the local market.

The Green Hills development opens the marketplace to families previously excluded from home ownership. Don Steffensen, senior vp at John D. Lusk & Son in Irvine, Calif., one of the three participants in the venture, said the traditional homebuilding company introduced the project because "we saw an opportunity to produce a more affordable product."



Aimed at providing housing in rural and small communities, this Ryland Group plant in Columbia, Md., manufactures modular housing units for later assembly at permanent site.

This project, although the first of its kind, is reflective of the changing values in home construction and the commitment by all types of home builders to produce housing at affordable prices.

Large home building companies like Ryan Homes Inc. of Pittsburgh and the Ryland Group are using factory-built units throughout their operations. In fact, Ryland, based in Columbia, Md., created a separate division in 1982 dedicated to building just modular housing units. Cardinal Industries of Columbus, Ohio, an established modular builder of apartments, motels and office structures, two years ago introduced single-family dwellings into its product line and plans to eventually market the product, now only sold in Florida, on a national scale.

Generally, the implications for the home center industry are positive. More homeowners should result from the improved factory-built housing technology. Whether factory production of these units will divert sales from home centers still is unclear.

And the entire manufactured housing industry still has to overcome problems of mortgage financing, zoning and image.

Prompted by trade associations for the mobile housing industry and by a 1982 report

(Continued on page 30)

USA HOUSING OUTLOOK

Housing materials shifts affect what home centers sell

Fireplaces

Number of firelaces	% of homes 1982	% change since 1974
None	30	−30
One	56	+10
Two	10	+67
Three plus	4	n/a

Roofing

Material	% of market 1982	% change since 1974
Asphalt shingles	50	− 38
Fiberglass shingles	35	+3,400
Wood shingle	3	− 25
Wood shake	6	− 33
Built-up roofing	1	− 50

Ceiling Insulation

Material	% of market 1982	% change since 1974
Fiberglass	71	− 14
Rock wool	19	+ 73
Cellulose	10	+1,000

Windows

Material	% of market 1982	% change over 1974
Aluminum	59	+ 16
Wood	26	− 42
Aluminum clad	1	n/a
Vinyl clad	8	+167
Steel	2	n/a
Vinyl	0	
Other	4	

Exterior Wall Insulation

Material	% of market 1982	% change since 1974
Fiberglass	86	+ 5
Rock wool	11	− 8
Cellulose	1	−83

Siding

Material	% of market 1982	% change over 1978
Plywood	13	+ 8
Hardboard	30	+ 88
Lumber	7	− 13
Shingles	3	+ 50
Brick	21	− 13
Concrete block	3	0
Stucco	10	− 29
Aluminum siding	9	− 31
Vinyl siding	2	+100

Flooring

Material	% of market 1982	% change since 1974
Carpet	74	+ 4
Resilient tile	5	−58
Resilient sheet goods	13	+86
Wood strip	3	−40
Ceramic tile	2	−33

Front Doors

Material	% of market 1982	% change over 1974
Wood flush	24	+380
Wood panel	9	− 86
Steel flush	31	+ 19
Steel embossed	33	+450

Source: National Home Builders Association, Washington, D.C.
n/a: material held no market share in year to which current figure is being compared.

Materials used in windows, doors, siding, roofing, insulation and other new home components are rapidly changing: Fiberglass shingles, used in only 1% of new homes 11 years ago, were used on 35% in 1982. Other materials to increase dramatically included vinyl clad windows, steel front doors and hardboard siding.

By Phillip M. Perry
NHCN associate editor

NATIONAL REPORT — Home center products may undergo changes as a result of shifts now under way in components used for new housing.

Materials used in windows, doors, siding, roofing, insulation and other new housing components are in a state of flux, according to figures tracked by the National Association of Home Builders, Washington.

Gains made by some materials over the past decade have been dramatic. Fiberglass shingles, used on only 1% of new homes in 1974, were used on 35% in 1982. Over the same period, the share of new homes outfitted with vinyl clad windows rose from 3% to 8%.

Other changes included a doubling of the use of steel front doors and an 88% increase in the incidence of hardboard siding.

"If there is a trend in new housing, we [home centers] will soon be there," said Phil Rogers, senior commodities manager at Payless Cashways, the Kansas City-based home center chain which makes some 95% of its $1.18 billion annual sales to do-it-yourselfers. "Maybe we're a half step behind, but not a whole lot."

Smaller home center operators expressed similar views.

"We watch the trends [in new housing materials], we sure do," said Robert H. Lummus Jr., president of Lummus Supply, an Atlanta chain that made 30% of its $18 million in sales last year to DIYers. Lummus keeps a running list of requests from its contractor customers. Once a pattern in such requests is perceived, the products are added to the chain's four stores.

"Dollars and cents have a lot to do with these things," said Martin Mintz, director of technical services at the NAHB.

"If a builder sees that he can build a house more economically, he'll go with a different material."

Roofing: Fiberglass erodes asphalt's lead

While fiberglass shingles have been making rapid inroads in the new housing market, asphalt shingles have been in a state of decline. By 1982, their share of the new housing market had dropped to 50%, from an 81% level in 1974.

"Fiberglass shingles are better performing in terms of durability and fire protection," said Ronald E. Gebhardt, vice president of product development of Ryan Homes, a Pittsburgh-based builder, with offices in 27 cities, that constructs from 8,000 to 9,000 new homes annually. "We are now 100% fiberglass shingles," he added, noting that the company had phased in the product gradually over the past three years.

Dr. Robert C. Stroh, director of the special studies division of the NAHB Research Foundation, noted that fiberglass shingles were "lighter weight, and easier to handle" than asphalt ones.

Ceiling Insulation: Cellulose increases; fiberglass declines

If fiberglass has gone gangbusters in shingles, it's done less well retaining the full extent of its market share in ceiling insulation.

Fiberglass accounted for 83% of all new home ceiling insulation in 1974, but the figure dropped to 71% in 1982. Rock wool, the nearest competitor, rose from 11% in 1974 to 19% in 1982.

Cellulose, however, accounted for the most dramatic rise in ceiling insulation market share over the same period, rising from only 1% to 10% of the market.

"We have found that cellulose is less expensive than fiberglass or rock wool," said Gebhardt of Ryan Homes. "Today, 75% of our new homes have blown-in cellulose in the flat ceiling areas."

Exterior Wall Insulation: Fiberglass up; cellulose down

Fiberglass continues to be popular as the dominant product used in exterior wall insulation, however. The product had captured 82% of the new housing market in 1974. This share rose to 86% by 1982. At the same time, rock wool's market share of 12% in 1974 remained fairly steady over the ensuing eight years.

The fact that cellulose's market share dropped dramatically from 6% in 1974 to only 1% in 1982 might be surprising, given the growing presence of that material in ceiling insulation. However, the loss in its share of wall insulation reflects the growing realization on the part of home builders concerning the limitations inherent in the product.

"Cellulose tends to settle with gravity, so it is not as attractive as wall insulation," explained R. Hartley Edes, executive director of the Insulation Contractors Assn. of America, Washington. However, Edes added that a new variety of cellulose insulation, which will stay in place once it is blown into a wall, has been introduced recently. As a result, the product may gain more market share in the future.

Siding: Hardboard more popular

Of all materials used as siding for new homes, hardboard product has achieved the most rapid rise in market share.

In 1978, hardboard accounted for only 16% of all siding in new homes. This figure was only slightly higher than the 13% market share captured by aluminum siding. In that year, vinyl siding only had 1% of the market.

(Continued on page 28)

USA HOUSING OUTLOOK

Northeast Region Housing Starts by Market

MARKET	1983 IV	1984 I	1984 II	1984 III	1984 IV	1985 I	ANNUAL DATA 1983	ANNUAL DATA 1984	ANNUAL DATA 1985
BOSTON, MASS.	2,625	1,350	2,350	1,950	1,700	1,475	8,667	7,350	7,000
% change vs. previous year	146.1	13.3	(70.3)	(19.6)	(32.7)	9.3	61.3	(8.9)	(4.8)
Single family	1,225	750	1,700	1,250	1,100	800	4,515	4,800	4,500
% change vs. previous year	120.7	18.1	(76.5)	(12.6)	(10.2)	6.7	96.3	6.3	(6.3)
BUFFALO, N.Y.*	404	263	601	410	358	300	1,478	1,632	1,600
% change vs. previous year	71.5	40.6	48.4	(15.1)	(11.2)	14.1	45.8	10.4	(2.0)
Single family	307	225	484	350	300	250	1,234	1,359	1,300
% change vs. previous year	48.3	35.5	29.4	(9.6)	(2.3)	11.1	39.9	10.1	(4.3)
HARRISBURG, PA.*	410	350	425	525	450	300	1,745	1,750	1,850
% change vs. previous year	70.8	55.6	(7.6)	(19.2)	9.8	(14.3)	89.7	0.3	5.7
Single family	300	275	300	400	350	250	1,320	1,325	1,400
% change vs. previous year	97.5	37.5	(23.1)	(7.0)	16.7	(9.1)	94.1	0.4	5.7
HARTFORD, CONN.*	940	790	1,260	1,450	885	725	4,600	4,385	4,500
% change vs. previous year	(6.0)	(24.8)	18.9	(6.5)	(5.9)	(8.2)	86.2	(4.7)	2.6
Single family	875	640	1,070	1,150	830	600	3,415	3,690	3,700
% change vs. previous year	25.0	36.2	23.0	(4.2)	(5.1)	(6.3)	83.6	8.1	0.3

Parentheses denote % decrease
*Denotes Standard Metropolitan Statistical Area
Source: NAHB, from local reporting authorities

MARKET	1983 IV	1984 I	1984 II	1984 III	1984 IV	1985 I	ANNUAL DATA 1983	ANNUAL DATA 1984	ANNUAL DATA 1985
NASSAU-SUFFOLK, N.Y.*	1,545	1,360	2,520	1,455	1,305	1,155	6,150	6,640	5,685
% change vs. previous year	36.1	18.6	57.9	(17.8)	(15.5)	(15.1)	53.8	8.0	(14.4)
Single family	1,135	1,140	1,780	1,215	1,080	990	4,775	5,215	4,575
% change vs. previous year	32.7	32.6	36.4	(17.6)	(4.8)	(13.2)	60.5	9.2	(12.3)
NEWARK, N.J.*	1,373	864	1,431	1,198	880	500	4,839	4,373	4,200
% change vs. previous year	47.6	34.6	19.4	(26.3)	(35.9)	(42.1)	56.6	(9.6)	(4.0)
Single family	1,181	536	1,190	1,087	800	400	4,176	3,613	3,550
% change vs. previous year	71.2	10.1	14.3	(25.9)	(32.3)	(25.4)	127.0	(13.5)	(1.7)
NEW BRUNSWICK, N.J.	2,042	262	1,813	1,860	1,762	538	6,169	5,697	6,153
% change vs. previous year	25.4	(67.8)	63.9	(15.7)	(13.7)	105.3	84.1	(7.7)	8.0
Single family	726	166	780	879	784	202	2,993	2,609	3,015
% change vs. previous year	(23.7)	(30.3)	6.8	(32.3)	8.0	21.7	43.0	(12.8)	15.6

Parentheses denote % decrease
*Denotes Standard Metropolitan Statistical Area
Source: NAHB, from local reporting authorities

More Northeast housing statistics, Page 27

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Tax plan raises housing question

(Continued from page 19)

cline in this crucial resale activity.

At the same time, some of the factors that made 1984 a strong year will continue to influence the market. Lower interest rates, which brought 1984 to a healthier close, will extend into the first quarter and may well drop below the 13.14% commitment rate for fixed rate loans.

Another strength of 1984 was the availability of alternate means of financing, one example being the adjustable rate mortgage (ARM) that provided affordability for large numbers of first-time buyers when fixed interest rates were high.

Although ARM's are currently not as important, with people more likely to pursue fixed loans when rates are lower, their availability could be an important factor after the second quarter when analysts see rates going up.

Apart from these financial factors that make homes more affordable, builders and developers will continue to keep costs down through down-sizing lots and new house design.

"House design is moving toward the realities of the market rather than consumer preferences or tastes," said Lewis Goodkin, president of Goodkin research in Fort Lauderdale, Fla., which specializes in the home building market.

Also the South and West, as areas of fast population growth and high employment, are expected to continue to dominate home building with 73% of total housing construction. In particular, hot markets like California, Florida and Arizona are expected to remain hot.

"Florida is starting to look like the New York marathon, there weren't a lot of runners; now there's a huge gang of them," said Goodkin of the increasing number of builders.

Both hot and not-so-hot areas of the country will be affected by the proposed tax reforms which could have a negative affect on real estate. One part of the plan, to place a cap on the amount of mortgage interest that can be deducted on vacation homes, could depress total home sales in strong second-

(Continued on page 27)

Northeast Region Housing Starts by Market

MARKET	1983 IV	1984 I	1984 II	1984 III	1984 IV	1985 I	ANNUAL DATA 1983	1984	1985
NEW HAVEN, CONN.*	535	530	735	800	775	600	1,725	2,840	3,000
% change vs. previous year	(13.7)	71.0	67.0	81.8	44.9	13.2	32.7	64.6	5.6
Single family	375	330	510	500	500	400	1,145	1,840	2,000
% change vs. previous year	120.6	94.1	70.0	66.7	33.3	21.2	78.9	60.7	8.7
SOMERSET COUNTY, N.J.	240	260	320	525	495	295	1,215	1,595	1,650
% change vs. previous year	(20.0)	4.0	1.6	28.0	106.3	13.5	10.5	31.3	3.4
Single family	90	110	110	250	250	120	440	720	775
% change vs. previous year	(10.0)	10.0	(21.4)	127.3	177.8	9.1	10.0	63.6	7.6
NEW YORK, N.Y.*	2,880	2,910	4,160	3,755	3,045	2,700	16,415	13,870	12,840
% change vs. previous year	21.3	(3.2)	(4.1)	(39.2)	5.7	(7.2)	58.6	(15.5)	(7.4)
Single family	885	760	1,100	1,215	880	635	3,815	3,955	3,420
% change vs. previous year	21.2	50.5	(2.7)	(5.4)	(0.6)	(16.4)	53.8	3.7	(13.5)
PHILADELPHIA, PA.	4,170	2,148	5,453	6,701	1,698	2,278	15,183	16,000	17,400
% change vs. previous year	51.1	(4.5)	42.0	36.0	(59.3)	6.1	82.3	5.4	8.8
Single family	2,947	1,573	4,331	4,682	1,414	1,668	10,990	12,000	12,960
% change vs. previous year	55.5	1.5	42.0	36.0	(52.0)	6.0	95.2	9.2	8.0

MARKET	1983 IV	1984 I	1984 II	1984 III	1984 IV	1985 I	ANNUAL DATA 1983	1984	1985
PITTSBURGH, PA.*	999	1,088	1,556	1,375	1,000	1,125	4,766	5,019	4,850
% change vs. previous year	23.5	11.2	16.3	(3.2)	0.1	3.4	45.5	5.3	(3.4)
Single family	644	561	1,145	825	600	600	2,896	3,131	3,000
% change vs. previous year	59.0	25.8	30.3	(11.0)	(6.8)	7.0	60.4	8.1	(4.2)
RHODE ISLAND	980	750	1,040	1,260	1,030	725	3,850	4,080	4,200
% change vs. previous year	18.1	—	9.5	7.7	5.1	(3.3)	50.4	6.0	2.9
Single family	600	460	770	910	620	475	2,570	2,760	2,800
% change vs. previous year	50.0	31.4	2.7	4.6	3.3	3.3	94.7	7.4	1.4
ROCHESTER, N.Y.*	777	518	594	966	582	600	2,637	2,660	2,635
% change vs. previous year	16.3	12.4	2.6	17.8	(25.1)	15.8	37.7	0.9	(0.9)
Single family	729	401	370	706	483	450	1,947	1,960	2,010
% change vs. previous year	62.7	34.1	6.6	23.4	(33.7)	12.2	34.9	0.7	2.6
NORTHEAST TOTAL	91,819	13,443	24,258	24,230	15,965	13,316	78,839	77,891	77,563
% change vs. previous year	36.3	0.7	(5.1)	(7.2)	(19.4)	(0.9)	62.0	(1.2)	(0.4)
Single family	12,019	7,927	15,640	15,419	9,991	7,840	46,231	48,977	49,005
% change vs. previous year	45.3	22.4	(15.6)	1.5	(16.9)	(1.1)	75.5	5.9	0.1

Tax plan raises housing question

(Continued from page 22)

home areas like New England, Michigan and in Palm Springs and Lake Taho, Calif.

"Baby boomers buying a second home to nail down a retirement home will be more likely to think about other tax options, outside real estate," said Apgar, director of the Housing Futures Project at the M.I.T./ Harvard Joint Center.

The plan carries other items that make real estate less desirable as an investment and could have considerable impact on housing in 1985. It suggests that property taxes should no longer be classed as an itemized deduction, although it retains deductions for mortgage interest on primary residences.

Such proposed cutbacks could make the after-tax running of a home more expensive and resale home prices would have to fall to keep costs in line with what prospective home buyers would be willing or able to pay.

However, not everyone is pessimistic, and many feel that the tax propositions will not be passed without considerable revision.

"People buy homes for many reasons, the tax break is just one of them," said Apgar. Other countries like Canada have interest rates which are not deductible and home ownership there is only 5% to 6% below the United States rate.

However, the resale market in California has already been slowed by change in property taxes, according to Robert Lessler, chairman of a market research firm in Beverly Hills. He said that California's Proposition 13, which put a lid on property taxes in the late 70's at 1% of the market value, has encouraged home owners to stay put.

Meanwhile, builders are battling to keep housing costs down. In Florida, lot size is being reduced from 10,000 sq. ft. to 7,500 sq. ft. in many places, according to Goodkin. New, high-density designs make use of zero lot line housing, which incorporates attached homes to make more efficient use of space.

With construction costs running at $75 a square foot any reduction in house size significantly lowers home prices, easing affordability.

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